

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re)	Chapter 7
)	
AMERICAN HOTEL REGISTER)	Case No. 21-11733 (ABG)
COMPANY)	
)	
Alleged Debtor.)	
)	

**DECLARATION OF SANDEEP GUPTA IN SUPPORT OF THE JOINT MOTION OF
THE ALLEGED DEBTOR AND THE ASSIGNEE (I) FOR DISMISSAL OF, OR
ABSTENTION FROM, THE INVOLUNTARY BANKRUPTCY PETITION, (II) FOR
AN AWARD OF FEES, COSTS, AND DAMAGES, AND (III) TO REQUIRE THE
PETITIONING CREDITORS TO POST A BOND INDEMNIFYING THE MOVANTS**

I, Sandeep Gupta, hereby declare under penalty of perjury pursuant to section 1746 of title 28 of the United States Code as follows:

1. I am the co-founder and managing partner of Novo Advisors, LLC (“Novo”), which is the sole and managing member of VHSC ABC LLC, the assignee for the benefit of creditors for Vernon Hills Service Company (f/k/a American Hotel Register Company) (“VHSC” or the “Alleged Debtor”).

2. I am also the Chief Restructuring Officer of VHSC.

3. The source for the information contained herein was derived from my personal knowledge acquired during my tenure as manager of VHSC ABC LLC and my tenure as Chief Restructuring Officer of VHSC.

I. Historical Background

4. VHSC is an Illinois corporation that was previously headquartered in Vernon Hills, Illinois. Founded in 1865, VHSC was a global distributor of hospitality products, including janitorial and sanitation products, linens, bathroom accessories and guest room amenities. The

products, services, capabilities, and family culture that distinguish VHSC can be directly traced to the nation's earliest hotels and their practice of greeting guests with a hotel registration book; a rich history that remains imbued in every aspect of its business. For over 150 years, VHSC's family-friendly culture and reliability remained a key component of its brand.

5. VHSC's operations were funded by operating revenue and borrowings from that certain Amended and Restated Credit Agreement, dated as of the March 14, 2019 (the "Initial Credit Agreement"), attached hereto at **Exhibit A**, (as amended, restated, supplemented or otherwise modified time to time, the "Prepetition Credit Agreement"), by and among VHSC, Wells Fargo Bank, N.A. as the administrative agent ("Wells" or the "Agent") and the lenders party thereto from time to time (the "Lenders," and together with the Agent, the "Secured Parties"). Certain affiliates of VHSC are guarantors of the obligations owed under the Prepetition Credit Agreement (together with VHSC, the "Borrowers").

6. Under the terms of the Initial Credit Agreement, the Lenders provided revolving loan commitments in an amount not to exceed \$125,000,000.00 and other financial accommodations to the Borrowers. The Borrowers secured their obligations under the Prepetition Credit Agreement by granting Wells, for the benefit of the Lenders, first-priority liens on substantially all of their assets (the "Collateral"). The Collateral includes, among other assets, all of VHSC's and its affiliates' General Intangibles (as that term is defined in the Illinois Uniform Commercial Code (the "UCC")), which includes VHSC's commercial and tort claims.

II. Impact of the COVID-19 Pandemic and the Foreclosure Sale

7. At the end of 2019, VHSC and its affiliates were finishing a year of top-line and margin performance, with total net sales of approximately \$967 million, a performance slightly above its average over the five years prior.

8. Notwithstanding this success, VHSC's business and revenue was decimated by the COVID-19 pandemic. Furthermore, distribution changes within the Company's business led to additional loss in the Company's gross sales.

9. As a result, the Borrowers and the Secured Parties entered into two amendments (the "First Amendment" and the "Second Amendment"), to the Initial Credit Agreement, attached hereto as **Exhibits B** and **C**, on August 13 and November 13, 2020, respectively, the aggregate effect of which, among other things, reduced the revolving loan commitments from \$125,000,000.00 to \$62,500,000.00 and compelled VHSC to commence a sale process to pay off its obligations to the Secured Parties. That sale process ultimately proved unsuccessful.

10. While the sale process was ongoing, on December 28, 2020, Wells sent notice to the Borrowers of their default under the Prepetition Credit Agreement (the "Default Notice"), attached hereto as **Exhibit D**.

11. On February 4, 2021, the Borrowers and Secured Parties engaged in extensive negotiations regarding the Borrowers' defaults under the Prepetition Credit Agreement which resulted in a third amendment (the "Third Amendment") to the Prepetition Credit Agreement, attached hereto as **Exhibit E**. Under the Third Amendment, the Secured Parties agreed to extend their forbearance to allow the Borrowers to conduct a second sale process to pay off its obligations to the Secured Parties. This second sale process also proved unsuccessful.

12. In sum, through these two sale processes, the Borrowers contacted and engaged approximately 200 parties but ultimately were unable to finalize an acquisition agreement with any of the parties participating in the process.

13. On June 11, 2021, the Agent sent notice (the “UCC Notice”), attached hereto as **Exhibit F**, of its intention to sell the Collateral at a private sale in accordance with Article 9 of the Uniform Commercial Code.

14. On July 7, 2021, the Borrowers and the Secured Parties entered into a fourth amendment to the Prepetition Credit Agreement (the “Fourth Amendment”), attached hereto as **Exhibit G**, the terms of which, among other things, further reduced the revolving loan commitment from \$62,500,000.00 to \$17,500,000.00.

15. On August 3, 2021, the Agent foreclosed on the Collateral. That same day, VHSC, along with the other Borrowers, entered into that certain Voluntary Surrender Agreement (the “Surrender Agreement”), attached hereto as **Exhibit H**, made by and among the Borrowers and the Agent, whereby VHSC agreed to voluntarily surrender all of the Collateral to the Agent other than assets of *de minimis* value (as defined in the Foreclosure Sale Agreement (as defined below), the “Other Assets”).

16. Also on August 3, 2021, the Agent, the Borrowers (to a limited extent), and Consolidated Hospitality Supplies, LLC (“CHS”), an unrelated third-party, entered into that certain Private Sale Agreement (the “Foreclosure Sale Agreement”), attached hereto as **Exhibit I**, by which the Agent sold (the “Foreclosure Sale”) all of its rights, title and interest in the Collateral to CHS. In addition, to facilitate the sale of the Collateral, VHSC sold certain assets of *de minimis* value directly to CHS in exchange for CHS’s funding of the ABC Proceeding (as defined below) and certain other winddown and transition costs.

17. Under the terms of the Foreclosure Sale Agreement, certain of the Collateral was not sold by the Agent to CHS (the “Excluded Assets”). The Excluded Assets are believed to hold little to no value and are the only assets that were assigned to the Assignee.

18. The Secured Parties were not paid in full by the proceeds of the Foreclosure Sale Agreement and hold validly-perfected secured liens on and claims against the Excluded Assets in an amount of approximately \$1 million. A true and correct copy of the UCC Financing Statement Amendments are hereto as **Exhibit J**.

III. The Filing of the Assignment for the Benefit of Creditors in the Delaware Court of Chancery

19. Following the Foreclosure Sale, and in light of VHSC's financial situation, VHSC had insufficient monies to satisfy its remaining debt obligations. Accordingly, VHSC, in its business judgment, determined that transferring all of its remaining assets to the Assignee pursuant to that certain *Trust Agreement and Assignment for the Benefit of Creditors of Vernon Hills Service Company* (the "Assignment"), attached hereto at **Exhibit K**, was the best and most efficient way to distribute the remaining value of the Excluded Assets, if any, to VHSC's creditors.

20. On September 9, 2021 (the "Assignment Date"), VHSC and the Assignee entered into the Assignment, whereby the Assignee took possession of all of VHSC's assets, which are composed of only the Excluded Assets.

21. On September 10, 2021, the Assignee filed the *Verified Petition for Assignment for the Benefit of Creditors*, attached hereto as **Exhibit L**, in the Delaware Court of Chancery (the "Chancery Court"), commencing Case No. 2021-0783-PAF (the "ABC Proceeding") before Vice Chancellor Paul A. Fioravanti. The Chancery Court entered an order recognizing the ABC Proceeding on September 21, 2021, attached hereto as **Exhibit M**.

22. On October 11, 2021, I submitted the *Affidavit of Sandeep Gupta in Support of Schedule of Inventory* (the "Inventory Affidavit"), attached hereto as **Exhibit N**, which attached as Exhibit A thereto an inventory (the "Inventory") of the ABC estate. As demonstrated by the Inventory, the only assets in the Assignee's possession are VHSC's direct equity interests in two

wholly-owned foreign subsidiaries, VHSC International Hotel Supply Coöperatief U.A. and International Hotel Supply (India) Private Limited. The Assignee is actively seeking opportunities to maximize the value (if any) in these assets.

23. In connection with the Inventory Affidavit, the Assignee ran searches for liens and other encumbrances concerning VHSC in the secretary of state offices, county recording offices and various courts located within the States of Illinois and Delaware. As set forth in Exhibit B to the Inventory Affidavit, these searches identified that VHSC's assets are subject to liens, security interests, or other encumbrances held by the following entities:¹

List of Encumbrances
The Agent
CIBC Bank USA
Citibank, N.A.
Graycliff Mezzanine II LP
John Hancock Life Insurance Co. (U.S.A.)
Konica Minolta Premier Finance
S. & D. Coffee, Inc.
VEEAM Payment Solutions

¹ Pursuant to the Inventory Affidavit, the Assignee does not represent or warrant this information is accurate or without error.

24. On October 4, 2021, the Assignee mailed the *Notice of Commencement of Assignment for the Benefit of Creditors* (the “Notice of ABC”) and proof of claim form to those creditors listed in Exhibit B (the “Creditor Matrix”) to that certain *Affidavit of Mailing*, attached hereto at **Exhibit O**. The Notice of ABC informed all creditors on the Creditor Matrix of, among other things, the (i) circumstances surrounding and the closing of the Foreclosure Sale, (ii) commencement of the ABC Proceeding, and (ii) establishment of a proof of claim deadline of October 21, 2021 at 5:00 p.m. (CST).

25. Each of the Petitioning Creditors, or their affiliates that did business with VHSC, were on the Creditor Matrix that received the Notice of ABC, namely, A.S. Hospitality (an affiliate of Dexter Hospitality, Inc.), Bic Corporation (an affiliate of Scribe Opco, Inc.), and The Winsford Company LLC d/b/a Forbes Industries.

26. Since the Assignment Date, I have become familiar VHSC’s assets and liabilities, the Claims Bar Date has been established and elapsed, and the Assignee is actively reviewing timely-submitted claims.

27. For the Court’s convenience, attached hereto is an appendix (the “Appendix”) listing **Exhibits A–O** and the titles of their respective documents.

[Signature page follows.]

Dated: November 10, 2021
Cook County, Illinois

/s/ Sandeep Gupta
Sandeep Gupta

APPENDIX

<u>Exhibit</u>	<u>Title</u>
Exhibit A-1	Initial Credit Agreement (pp. 1–253)
Exhibit A-2	Security and Guaranty Agreement (pp. 254–348)
Exhibit B	First Amendment
Exhibit C	Second Amendment
Exhibit D	Default Notice
Exhibit E	Third Amendment
Exhibit F	UCC Notice
Exhibit G	Fourth Amendment
Exhibit H	Surrender Agreement
Exhibit I	Foreclosure Sale Agreement
Exhibit J	UCC Financing Statement Amendments
Exhibit K	Assignment
Exhibit L	Verified Petition for Assignment for the Benefit of Creditors

<u>Exhibit</u>	<u>Title</u>
Exhibit M	Order on Petition for Assignment for the Benefit of Creditors
Exhibit N	Inventory Affidavit
Exhibit O	Affidavit of Mailing